

THE STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DW 04-132

ORDER OF NOTICE

Hampstead Area Water Company (HAWC) is a regulated public water utility in accordance with RSA 362:2 and RSA 362:4 and operates several water systems that serve approximately 2500 customers throughout southeastern New Hampshire including Hampstead, Atkinson, Chester, Danville, East Kingston, Fremont, Kingston, Nottingham, Plaistow, Sandown and Salem.

On July 26, 2004, HAWC filed a petition with the New Hampshire Public Utilities Commission (Commission) requesting authorization to issue long-term debt amounting to \$1,724,800. HAWC proposes to borrow these funds from the New Hampshire Department of Environmental Service (NH DES) State Revolving Fund (SRF). The petition indicates that the Company's loan request has received preliminary approval by NH DES. The loan will mature in 20 years and the interest rate is currently 3.728 percent.

HAWC will use the funds to finance the construction of a central water storage tank ("tank") and the installation of a comprehensive Supervisory Control and Data Acquisition ("SCADA") system. HAWC states that, during summer peak periods, daytime demand often puts certain wells under particularly heavy stress. The proposed construction of a central storage tank will help temper the effects of peak demand and significantly increase the overall system reliability. The proposed location of the water tank will also accommodate the interconnection of the Hampstead core system with the nearby Kent Farm system. The petition indicates that the tank project affects only the Hampstead core and Kent Farm system customers. In addition, the

purchase and installation of a comprehensive SCADA system would provide much needed “data gathering” and “control” capabilities and enable HAWC to better monitor and manage its multiple water supply sources and pumping and treatment facilities. The SCADA system affects all the customers.

To cover the cost of financing, HAWC requests to increase revenues by a step increase in rates. The increase in revenue would allow HAWC to recover its investment in the Tank and SCADA system and earn a reasonable rate of return. HAWC assumes that the proposed Tank project and the SCADA projects could be substantially completed in the 4th quarter 2004; thus, it estimates the rate increase could take effect on January 1, 2005 on a bills rendered basis. HAWC anticipates a rate increase of approximately 42 percent for “Hampstead core” and “Kent Farm” customers (including the increase as a result of SCADA system) and a rate increase of 9.22 percent for all other customers.¹

HAWC also proposes that the cost to pursue and obtain PUC approval of the financing and the step rate increase be deferred. For costs associated with the financing, HAWC proposes adding these costs to the annual cost of the debt and reflected in the weighted, average interest rate. For costs associated with obtaining PUC approval of the step rate increase, HAWC proposes submitting these costs for review and approval by the PUC at a later date once the actual costs are known.

The filing raises, inter alia, issues related to RSA 369 and the terms and conditions of the proposed financing; the need for the proposed capital improvements; RSA 378 the just and reasonableness of customer rates; the appropriateness and the methodology used to project the 42 percent rate increase for HAWC and Kent Farm customers and the 9 percent

¹ Ref. Docket No. DW 02-128, Order No. 24,362. In the stipulation agreement in this Docket, Hampstead agreed that, starting in 2004, it would *separately account* for its revenues and expenses (Order at page 11) .

increase for all other customers; the appropriateness of implementing the new rates on a bills rendered basis; and, the appropriateness of a surcharge to recover costs to obtain PUC approval of the financing and the step rate increase.

In order to gather the necessary public comment and discovery material to address the issues raised in this case, we will set a brief procedural schedule as follows:

Data Requests by Staff and Intervenors	September 20, 2004
Company Responses to Data Requests	September 30, 2004
Technical Session	October 7, 2004 at 10 a.m.
Staff and Parties, together or separately, file report(s) containing recommendations on the disposition of this matter	October 15, 2004

Based upon the foregoing, it is hereby

ORDERED, that a Public Hearing, pursuant to N.H. Admin. Rules Puc 202.01, be held at the Hampstead Middle School, 26 School Street - Room 302/304, in Hampstead, New Hampshire on September 30, 2004 at 7:00 p.m. for the purpose of hearing public comment; and it is

FURTHER ORDERED, that Staff, HAWC, and any Intervenors conduct discovery according to the procedural schedule identified above; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.01, HAWC shall notify all persons desiring to be heard at this hearing by sending a copy of this Order of Notice to the Town Clerks of Atkinson, Chester, Danville, East Kingston, Fremont, Hampstead, Kingston, Nottingham, Plaistow, Sandown, and Salem, as well as by publishing a copy of this Order of Notice no later than September 17, 2004, in a newspaper with statewide circulation or of general circulation in those portions of the state in which operations are

conducted, publication to be documented by affidavit filed with the Commission on or before September 30, 2004, and it is

FURTHER ORDERED, that the Executive Director shall also place a display advertisement notifying customers of the Public Hearing in the Eagle Tribune no later than September 20, 2004, publication to be documented by affidavit filed with the Commission; and it is

FURTHER ORDERED, that pursuant to N.H. Admin Rules Puc 203.02, any party seeking to intervene in the proceeding shall submit to the Commission an original and eight copies of a Petition to Intervene with copies sent to Hampstead Area Water Company and the Office of the Consumer Advocate no later than the close on business of September 21, 2004, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin Rule Puc 203.02 and RSA 541-A:32,I(b); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection no later than the close of business on September 24, 2004.

By order of the Public Utilities Commission of New Hampshire this fourteenth day of September, 2004.

Debra A. Howland
Executive Director & Secretary

Individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 Fruit Street, Suite 10, Concord, New Hampshire 03301; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Notification of the need for assistance should be made one week prior to the scheduled event.